

Testimony of Scott Barkan
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On
PR 14-957, "Request for Proposals for the Disposition of the Franklin School Approval
Resolution of 2002"

Before the
Committee on Economic Development

On November 14, 2002 at 9:30 AM in Room 123

Good morning Chairman Brazil and members of the committee. My name is Scott Barkan. I am the Special Assistant to the Deputy Mayor for Planning and Economic Development. I thank you for this opportunity to testify before you on PR14-957, the resolution to declare the Franklin School surplus property and the Request for Proposals for the rehabilitation of the historic school.

I would like to begin by describing the process the Administration -- a collaboration between the Office of the Deputy Mayor and the Office of Planning -- went through to develop this RFP. I'll discuss the conclusions of our analyses and provide a quick summary of the significant decisions in the RFP.

**The RFP Development Process Included Professional Analyses
and Opportunities for Community Input**

Over the past year, the Administration has worked to analyze the historic school's development potential and provided opportunities for the community to comment on the analyses and

potential development scenarios. This deliberative and open process helped the Administration build some consensus around the proposed RFP.

The first step the Administration took was to thoroughly investigate the Franklin School's development potential. The administration conducted three primary analyses. First, the Administration engaged Fetterman Associates, a well known local architectural firm, to conduct a reuse analysis of the building in order to identify the building's capacity and the potential impacts of different uses on the building's historical architecture. Second, the Administration hired Bolan Smart, a local real estate economic consultant, to compare the financial impacts of different uses on the District of Columbia, including potential rent payments to the District of Columbia Public Schools, as well as taxes generated for the District budget. Third, the Office of Planning analyzed the potential impact of different uses on the city's urban planning goals, especially increased pedestrian activity in Franklin Square during the evenings and weekends. These analyses have been summarized on the attached sheet and highlighted in the Office of Planning's presentation.

The Administration's second step was to present the analyses in an open forum and ask residents, professionals in the development field, and advocates of all kinds to comment on the analyses. On July 10 the Office of Planning presented the analyses to a packed room and heard a number of questions related to the school's potential use as housing, as government office space, and even as a charter school.

The third step for the Administration was to release a Request for Expressions of Interest for cultural and higher education institutions. This was necessary because there is a wide range of such institutions and it is difficult to predict their impacts on the building, the economy, and the surrounding neighborhood. For example, some cultural institutions are small artists' studios that might be able to cover the costs of renovation, but not pay rent. Other cultural organizations are large institutions with large endowments that attract a wide variety of users during the day, the evening, and the weekends. The Request for Expressions of Interest provided the Administration with additional information about the likely impact of cultural and higher education institutions on the building and the Franklin Square.

**The Administration's Analyses Concluded that Cultural and Higher Educational Uses
were the Best Program for the Building**

The Administration's due diligence concluded that cultural and higher educational uses are the preferred program for the Franklin School. In all three analyses -- architectural, economic, and urban planning -- cultural and higher education uses had the potential for outscoring residential, commercial office, and hotel uses. Cultural and higher educational institutions will be able to more easily fit within the building's historic architectural and require minimal interior design changes. They will be able to help transform the Franklin Square into a vibrant active destination during the day, evening and weekends.

The most difficult analysis to conduct was the financial impact of cultural and higher educational institutions because it is difficult to estimate how much a museum or university would be willing to pay for rent. However, the District's past experiences have shown that many cultural

institutions are willing to pay top rents for prime locations around the city. As well, cultural institutions, such as the Shakespeare Theater, the Phillips Collection, and Arena Stage, are immensely valuable to our city's residents and tourists and these benefits are difficult to quantify.

Housing

The Administration was surprised by the outcome of the analyses. Our initial bias was to draft an RFP for housing, similar to all of the recent dispositions of downtown property, including the old Wax Museum, the Mather Building and the Existing Convention Center. All of them included housing. However, the analyses were clear: housing was among the least desirable uses of the historic property. Only about 27 units could fit into the building. In order to do so, the school's great room on the top floor would have to be carved up into four units. The school would most likely not be opened to the public and would not increase dramatically pedestrian traffic in the evening and weekends. In order to pay for the renovation, the units would have to be sold to very high income individuals or corporations, which would not generate any income taxes.

Education

When disposing surplus school properties, the Administration is required by law and regulations to take certain steps than are otherwise required. The federal Congress amended District law requiring the District to "give preference" to charter schools when selling or leasing surplus schools, as long as "...doing so will not result in a significant loss of revenue that might be obtained from other dispositions or uses of the facility..." (§ 31-2853.19).

In a March 2000, the Financial Control Board defined “preference” as a 25 percent discount for all properties below \$1 million and 15 percent discount for all properties above \$1 million. The Control Board also established a policy of depositing all proceeds from the sale or lease of a surplus school in the District of Columbia Public School’s Property Maintenance and Improvement Fund.

The Request for Proposals Summarized

The Administration’s analyses and community input resulted in the RFP currently pending before this committee. I would like to highlight several components of the RFP and would refer you to the attached fact sheet for a complete summary.

Preferred Building Uses

As previously discussed, the Administration is highly interested in receiving submissions proposing cultural or higher education uses, or a mix of programs that include these uses. The Administration prefers to see uses that will help make the Franklin Square a vibrant active destination during the day and evening.

Development Requirements

In addition to these preferences, the Administration has proposed several requirements of developers. First, the school must be brought back into active use and attention must be provided towards historic preservation. We recognized that the adaptive reuse of historic

structures requires choices between feasibility and historic preservation. Proposals that strike the appropriate balance will be considered favorably.

Second, the Administration proposed requiring the Great Hall be made accessible to the public for scheduled meetings and events. We did this in recognition of the building's historic and civic impact on the city.

Third, the Administration proposed leasing the building for 50 years rather than selling the property and receiving a one time influx of cash. The Administration believes that a ground lease will provide the District the necessary controls to ensure that the building's long term uses conform to all of the District's goals.

Timeline

Once the Council approves the resolution and the RFP, the RFP can be available to developers within approximately 30 days. If the Council approves the package in December, the RFP will be available to developers by January. We have proposed providing developers six months to respond to the RFP. We recommend this relatively long amount of time because of the type of institutions we are hoping to attract to the building. Large cultural and higher educational institutions typically require more time than standard developers to commit to and develop a response to an RFP. Before drafting a response, large institutions will have to hire a development team and convince their boards to commit to the project.

Developers' responses will be due in July. The Administration will work to select a developer in October, negotiate an ERA by November, and sign a Land Disposition Agreement by June 2004 when renovation will begin.

Conclusion

In conclusion, there are five primary points with which I would like to leave you.

- The Williams Administration analyzed the building extensively and provided the community several opportunities to comment on the analyses and potential development scenarios.
- The Administration believes that the proposed preferred uses properly balance the many competing demands on the renovation of the historic Franklin School: historic preservation, better urban planning, and the financial benefits to the District of Columbia Public Schools.
- The Administration has a policy of facilitating downtown housing development. However, because of the uniqueness of the site, we believe it is inappropriate to encourage proposals for developing housing in the historic Franklin School.
- The Administration believes that it's important to allow the public access to the building, especially the Great Hall, because of its architectural uniqueness and civic heritage.
- The Administration believes that it is important to lease the property, rather than sell it, because the District will be able to maintain long term control over the building.

I am happy to answer any questions you might have. Thank you for your time.